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DEPARTMENT FOR EUR/NCE; PLEASE PASS TO NSC FOR ADAM STERLING

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TAGS: PREL PGOV ENRG HU

SUBJECT: 19TH CENTURY NERVOUS BREAKDOWN: SHADES OF THE PAST  
AS HUNGARY REGARDS 21ST CENTURY EUROPE?

REF: BUDAPEST 1979

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (SBU) Our contacts across the political spectrum are still talking about the thought-provoking visit of foreign affairs columnist and commentator Robert Kagan November 19 )  
¶20. In a series of meetings with officials in and out of government, highlighted by remarks before a joint session of the Parliament's Foreign Affairs and European Affairs Committees, Dr. Kagan challenged opinion leaders to view Hungary's policy decisions in a broader strategic context.

¶2. (C) Dr. Kagan's comments on the challenges posed by a resurgent Russia and a hesitant European Union will particularly complement our continuing efforts to focus minds here in Hungary on issues beyond their borders and on objectives beyond immediate gratification (Ref A).

¶3. (C) Both remain challenges. Bad news economically (septel) and bad blood politically continue to limit Hungary's event horizon. In fact, the public's gaze will likely to be drawn even more strongly inward in the months ahead as the opposition's referendum on elements of the government's reform agenda approaches.

#### AMBIVALENCE AND ANTIPATHY

¶4. (C) The problem is conceptual as well as practical. Foreign Minister Goncz noted to Dr. Kagan that the process of transition in Hungary is still ongoing, and that often seems to extend to its world view. There is some ambivalence toward NATO, which grows as the Alliance's activities bring it closer toward Russia's "Near Abroad." Although a recent survey indicates sixty percent of Hungarians view NATO as essential for security, fifty-eight percent of those surveyed oppose Hungarian participation in ISAF operations.

¶6. (C) There is also considerable antipathy toward the European Union. Even contacts strongly committed to the EU frequently complain that the Union has failed to establish a common energy policy while its traditional powers have sought separate accommodations with Moscow. Others complain that membership in the EU has not prevented what they see as actions taken against ethnic Hungarian communities in neighboring countries. Polling indicates that Hungarians' choice of the EU as the preferred locus of decisions on security has dropped to forty-one percent ) a decrease of twenty-three percent since 2005. There will likely be more resentment if the public blames Hungary's EU convergence plan in part for rising inflation and declining growth.

HOW MUCH IS SMILING WORTH ( AND HOW MUCH DOES IT COST?

¶7. (C) This compounds a definite temptation to maintain "balance" in relations with Russia ) which former Ambassador

Peter Balazs contrasted to the "emotional" policies of countries like Poland and the Baltic states. As MOD State Secretary Agnes Vadai asked Dr. Kagan, "why isn't our good

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relationship with Moscow a plus for Washington?" "After all," she concludes, "smiling costs nothing." Indeed, some here assert that there are even economic benefits. Although we do not see the "dual dependence" Hungarian officials often claim in their trade with Russia, there is certainly profit for an influential few ( and with fewer strings than Western companies attach with respect to transparency.

BUDAPEST 1900?

¶8. (C) Comment: This balancing act also offers the comfort of historical familiarity. Hungary has been less than successful in adjusting to a 21st century dominated by "geo-economics" that Dr. Kagan believes the EU expected. It is, however well-versed in the 19th century dynamic whose overtones he discerns. Hungary is accustomed to dealing with an active and ambitious Russia, but its preferred tactics may well emphasize accommodation and highly selective activism. This portends a degree of distance with states in the region who share the same strategic dilemma but favor a more activist approach. If Budapest perceives what Dr. Kagan portrays as an era of rising competition among Great Powers, its historical default may well be a lower profile. End Comment.

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